

Rev. Rul. 83-170, 1983-2 C.B. 97

Cooperative; cable television service. A cooperative organization furnishing cable television service to its members qualifies for exemption from federal income tax as a "like organization" within the meaning of section 501(c)(12) of the Code. Rev. Rul. 55-716 modified.

ISSUE

Under the circumstances described below, does an organization furnishing cable television service to its members qualify for exemption from federal income tax as a "like" organization within the meaning of section 501(c)(12) of the Internal Revenue Code?

FACTS

Corporation T was created to provide cable television service to its members. T's membership includes individual subscribers as well as rural school districts. All members pay a membership fee to join T. The fee is refunded upon termination of membership. Membership in T is required in order to receive cable television service.

T operates on a cooperative basis and otherwise meets the requirements for exemption from federal income tax under section 501(c)(12) of the Code as described in Rev. Rul. 72-36, 1972-1 C.B. 151.

LAW AND ANALYSIS

Section 501(c)(12) of the Code provides generally for the exemption from federal income tax of benevolent life insurance associations of a purely local character, mutual ditch or irrigation companies, mutual or cooperative telephone companies or like organizations, but only if 85 percent or more of the income consists of amounts collected from members for the sole purpose of meeting losses and expenses.

The term "like" organization, as used in section 501(c)(12) of the Code, is limited by the type of organizations specified in that section. It is applicable only to those mutual or cooperative organizations that are engaged in activities similar in nature to the benevolent life insurance or public utility type of service or business customarily conducted by the specified organizations. See Rev. Rul. 67-265, 1967-2 C.B. 205; Rev. Rul. 65-201, 1965-2 C.B. 170; and *New Jersey Automobile Club v. United States*, 181 F.Supp. 259, 261 (Ct.Cl.1960), cert. denied 366 U.S. 964 (1961).

Cable television corporations are similar in nature to public utilities. See *Crowley v. New York Telephone Co.*, 80 Misc.2d 570, 363 N.Y.S.2d 292 (1975); *Staminski v. Romeo*, 62 Misc.2d 1051, 310 N.Y.S.2d 169 (1970); *White v. Detroit Edison Co.*, 80 Mich.App.

346, 263 N.W.2d 367 (1977); Aberdeen Cable TV Service, Inc. v. City of Aberdeen, 85 S.D. 57, 176 N.W.2d 738 (1970). Further, state statutes regulating cable television as a public utility have been held to be a constitutional exercise of state authority. TV Pix, Inc. v. Taylor, 304 F.Supp. 495 (1968), aff'd 396 U.S. 556 (1970).

In this case, providing cable television service is a public utility type service that is similar in nature to that customarily performed by the specified organizations listed in section 501(c)(12) of the Code.

HOLDING

Under the circumstances described above, a cooperative organization furnishing cable television service to its members qualifies for exemption from federal income tax as a "like" organization within the meaning of section 501(c)(12) of the Code, provided that 85 percent or more of its income consists of amounts collected from members for the sole purpose of meeting losses and expenses.

EFFECT ON OTHER REVENUE RULING

Rev. Rul. 55-716, 1955-2 C.B. 263, which held that an organization formed to provide television antenna service to its members did not qualify for exemption from federal income tax under any provision of the Code is modified to the extent it is inconsistent with the views expressed in this ruling.

APPLICATION INSTRUCTIONS

Even though an organization considers itself within the scope of this revenue ruling, it must file an application on Form 1024, Application for Recognition of Exemption, in order to be recognized by the Service as exempt under section 501(c)(12) of the Code. See section 1.501(a)-1 of the Income Tax Regulations. In accordance with the instruction to Form 1024, the application should be filed with the District Director of Internal Revenue for the key district indicated therein.